



County of Los Angeles CHIEF EXECUTIVE OFFICE

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Chief Executive Officer

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September 23, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

WASHINGTON, D.C. UPDATE

This memorandum includes an update on legislation of County interest regarding the National Flood Insurance Program.

Legislation of County Interest

H.R. 1309 (Biggert, R-IL), The Flood Insurance Reform Priorities Act of 2011, would reauthorize the National Flood Insurance Program (NFIP) of the Federal Emergency Management Agency (FEMA) to enter into and renew flood insurance policies through September 30, 2016, and make several changes to the NFIP which would give authority to temporarily suspend mandatory purchase requirements for all property owners in special flood hazard areas and provide a five-year phase-in of flood insurance rates for residential property owners in newly mapped areas.

Under existing law, FEMA charges premium rates under the National Flood Insurance Program below the amount necessary to offset the expected cost (also known as the full-risk cost or actuarial cost) for properties built before a community's Flood Insurance Rate Map (FIRM) was completed, or before 1975, whichever is later. Those properties, which make up about 20 percent of all NFIP policies, are collectively known as pre-FIRM properties. These low cost premiums, combined with widespread disasters throughout the country, have resulted in an estimated \$18 billion deficit for the NFIP.

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H.R. 1309 would make several key changes to the NFIP, including: 1) delay the mandatory flood insurance purchase requirement for properties recently designated as being within a Special Flood Hazard Area for one year; 2) upon request, extend the temporary suspension of flood insurance purchase requirement for up to two additional one-year terms; 3) allow a five-year phase-in of flood insurance rates for certain properties in newly mapped areas not previously in a flood zone (excludes commercial, industrial properties, new homeowners, and other properties); 4) establish a Technical Mapping Advisory Council within one year from the enactment of this Act to develop new mapping standards; 5) direct FEMA and the Comptroller General of the United States to conduct separate studies to assess a broad range of options for the potential privatization of the NFIP; and 6) require FEMA to develop procedures to limit the flood insurance policies they directly manage to no more than 10 percent.

The bill also would: 1) allow FEMA to increase premiums by up to 20 percent annually, up from the current limit of 10 percent; 2) require FEMA to annually notify residents in flood zones of insurance requirements and costs of what similar homeowners in similar areas pay for their insurance; 3) require FEMA to notify policy holders that coverage provided and premiums charged, as administered by private companies, will be the same as those administered by FEMA; 4) allow for residential insurance premiums to be paid in installments; 5) provide for optional coverage for losing the use of residence or business; 6) allow the termination and refund of lender force-placed flood insurance; 7) prohibit FEMA from issuing flood insurance maps or updating them using a "without levee" analysis approach; and 8) permit reimbursement for costs incurred by homeowners obtaining a Letter of Map Amendment.

The House of Representatives passed H.R. 1309 by a vote of 406 to 22 on July 12, 2011.

United States Senate Version. On September 8, 2011, the Senate Committee on Banking, Housing, and Urban Affairs approved a bill to reauthorize the NFIP. Final bill language has not been made available. Based on an available draft version of the bill and other sources, the Senate bill would authorize the NFIP of FEMA to enter into and renew flood insurance policies through September 30, 2016, and make several key changes to the NFIP, including:

- Allow FEMA to increase premiums by up to 15 percent annually, up from the current limit of 10 percent;
- Require actuarial rate premiums for all new flood insurance policies;

- Provide for mandatory purchase of flood insurance in residual risk areas;
- Require FEMA to include catastrophic loss years in the calculation of actuarial rates;
- Require a reserve fund in the NFIP and provide for forgiveness of the NFIP debt to the United State Treasury;
- Reconstitute a Technical Mapping Advisory Council to advise the Administrator;
- Authorize an on-going mapping program and establish a Scientific Resolution Panel;
- Require studies on pre-FIRM properties built before the effective date of the first before Flood Insurance Rate Map and on the feasibility of using private reinsurance;
- Reauthorize the Severe Repetitive Loss Pilot Program; and
- Establish a Commission on Natural Catastrophe Risk Management and Insurance.

According to the Department of Public Works (DPW), an estimated 11,000 properties adjacent to the decertified levees on the Compton Creek and Dominguez Channel are expected to be affected. In addition, based on a preliminary analysis, the extension of the NFIP may result in an overall positive fiscal impact on Los Angeles County property owners located within the anticipated new flood zones. **The Chief Executive Office is currently working with DPW to fully analyze H.R. 1309 and the Senate version to determine potential impact on the County.**

We will continue to keep you advised.

WTF:RA
MR:GA:sb

c: All Department Heads
Legislative Strategist